REVISED FISCAL IMPACT STATEMENT ON BILL NO. **S618**
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TO:	The Honorable Hugh Leatherman, Chairman, Senate Finance Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Allan Kincaid		
DATE:	*April 7, 2005*	SBD:	2005328

AUTHOR:	Senator Alexander	PRIMARY CODE CITE:	9-1-1790
SUBJECT:	State Retirement System Preservation and Investment Reform Act		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:
See Below

BILL SUMMARY:
Senate Bill 618 enacts the State Retirement System Preservation and Investment Reform Act. Among other things, the proposed Bill requires retirees who return to covered employment and TERI employees to pay the employee contribution for active members, postpones the annual leave lump sum payment for TERI employees, provides that a TERI participant who terminates employment cannot return to covered employment, establishes two classes of service for new SCRS enrollees after 2005, closes the twenty-eight years of creditable service retirement option for new enrollees after 2005, and defines SCRS 28 and SCRS 30 participants. The proposed Bill further revises the duties of the Retirement Systems Investment Panel, establishes the Retirement System Investment Commission and provides for an assumed investment return by the General Assembly on Retirement System assets of not less than eight percent a year.

GENERAL FUND IMPACT
Since the proposed Bill does not change the employer contribution rate nor increase the number of employer participants in the Retirement System, there should be no additional cost to the General Fund of the State. The Administrative Costs associated with the new Retirement Systems Investment Commission are directed to be paid from the earnings of the State Retirement System.

STATE RETIREMENT SYSTEM IMPACT (SCRS)
A review of this Bill by the State Retirement System and its actuary indicate the consolidated fiscal impact of the Bill's provisions would reduce the amortization period by 6.6 years from 27.9 years to 21.3 years. And, the accrued unfunded liability would be increased by $18 million from $5.1 billion to $5.118 billion. The effect of prohibiting former TERI employees from returning to covered employment was not included in the impact statement of the actuary. However, staff of the Retirement System indicates there would be no impact associated with this provision.

Additionally, the actuary did not provide an impact associated with the elimination of restrictions on equity investments or the assumed investment return of eight per cent per year. The actuary considered these analyses to be outside the scope of its review of S.618. However, based on prior information provided to SCRS by the actuary dated March 1, 2005, a reasonable assumption could be made that for each quarter per cent increase in investment return over the current rate of return, the amortization period would be reduced by a minimum of four years. The assumption is exclusive of the fiscal impact associated with the provisions of S.618 and is based on the current employer contribution rate of 7.55% and no guaranteed COLA.

SPECIAL NOTES:

The italicized portion of this impact indicates the items that have been revised. For this impact, the revised constitutes information that was not available in the original impact.

Approved by:

Don Addy
Assistant Director, Office of State Budget